

The new charter provided for the separation of the issue department from the banking department of the Bank of England and placed the issue department under the charge of a committee of the directors appointed by the entire body. The Governor was directed to transfer to the issue department on August 31, 1844, securities to the value of £14,000,000, of which the debt due by the government to the bank was to be a part. The bank was also to deliver to the issue department such of the gold coin and bullion as was not required for the banking department and was to receive back a quantity of notes which should make the circulation, of the bank exactly equal to the coin and bullion on deposit, plus the sum of £14,000,000 represented by securities.¹ Thenceforth the issue department was to pay coin and bullion for notes and issue notes for coin and bullion, and no department of the bank was authorized or permitted to issue notes in excess of the limits thus established. The price of gold at the bank was fixed for the future at £3 17s. 6d. per ounce. Weekly accounts of the circulation were to be transmitted to the government and published in the *London Gazette*. The bank was required to pay £180,000 annually for its privileges instead of the rate of £120,000 fixed in 1833. This payment was modified in 1861 and now amounts to about £200,000.

The purpose of fixing the amount of notes covered by securities at £14,000,000 was to economize that amount of gold without impairing the convertibility of the note. The amount was arrived at, not with any special regard to the capital of the bank or the government debt already held, but with regard to the smallest amount of Bank of England

¹ Whether the notes constitute a prior lien on the securities and bullion in the issue department is a point which is not clearly set forth and has never been judicially decided. The act directs that "there shall be transferred, appropriated, and set apart by the said governor and company to the issue department securities to the value of £14,000,000*"; but "it shall be lawful for them to diminish the amount of such securities/" which seems to preclude the idea that they are not part of the general assets of the bank.—Price, 65.